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Global Agricultural Information Network

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China - Peoples Republic of

Cotton and Products Annual

2011

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Report Highlights:

MY11/12 cotton imports are forecast at 3.6 million metric tons (MMT), up two percent from the estimated 3.4 MMT in MY10/11, driven by consumption increases to 11 MMT due to higher domestic and overseas textile demands which are outpacing domestic supplies. Record returns to cotton last year boosts MY11/12 domestic cotton production forecast to 7.5 MMT, up 17 percent over the previous year's estimated 6.4 MMT. MY11/12 ending stocks remain somewhat tight at 2.7 MMT with stock to use ratio of 25 percent. The U.S. is expected to resume its status as China's primary cotton supplier in MY11/12.

Executive Summary:

China's MY 11/12 cotton imports should rise slightly to 3.6 MMT, up from 3.4 MMT in MY10/11. Additional imports will address a supply gap resulting from continued growth in textile consumption which is outpacing domestic production as well as industry concerns over declining ending stocks. Cotton imports continue to be subject to a TRQ system and sliding tariff rate scheme and overseas suppliers must register with the government.

Despite government support policies that favor grain production, the positive per-unit returns for cotton last year versus other competing crops, helped cotton acreage recover. These profits are driving increased cotton planting intentions and forecasts of higher MY11/12 domestic production. MY 11/12 ending stocks are forecast to remain relatively tight at 2.7MMT, with stock to use ratio of 25 percent. China's MY11/12 cotton production is forecast at 7.5 MMT, based on elevated planting area of 5.6 MHa, up from 5.1MHa in MY10/11 with overall stable yields.

Lack of reliable data on domestic cotton production, consumption, and stocks continues to cause uncertainty and impacts global cotton trade.

Production

China's MY 11/12 cotton production is forecast at 7.5 MMT, up 17 percent over last year's estimated 6.4 MMT, and is based on a projected rise in planted area to 5.6 MHa from 5.1 MHa, fostered largely by the record seed cotton price and strong profits (reportedly having an improvement of 70-100 percent over last year) for cotton farmers in MY10/11. Chinese industry representatives agree that area will increase in MY11/12, though growth rates may vary, and cotton prices may still influence farmer's planting decisions.

MY10/11 lower cotton production, however, reflects different planting circumstances. Before planting season, a fall in world demand due to the economic crisis, low cotton prices and more favorable returns to grain crops had diminished farmer's plantings to cotton. Poor weather conditions in key production regions reduced yields and overall production. For MY 10/11, China's National Statistics Bureau (NSB) estimated a drop in production to 6 MMT based on planted area of 4.85 MHa. (See Table 10 for planted area and production by province).

FAS/Beijing (Post) adjusted the MY10/11 domestic production to 6.4 MMT, to reflect some historical under reporting for Xinjiang, and a yield loss due to unfavorable weather conditions for Shandong and Henan provinces. As we've reported before, inconsistencies in Xinjiang's reported planted area due to many reasons frequently skews total production figures (GAIN CH10033). In March 2011, the Xinjiang Cotton Association estimated MY10/11 Xinjiang cotton production at 2.9 MMT, higher than the 2.48 MMT reported by Xinjiang official statistics. FAS Beijing believes combined information and analysis support MY10/11 Xinjiang cotton production of 2.8 MMT based on an estimated area of 1.71 MHa. The marketing of the MY10/11 crop was reportedly faster than the previous year and the farm-gate price reached record levels.

Planted Area

MY11/12 domestic cotton planted area is forecast at 5.6 MHa, up from MY10/11 5.1 MHa, or 10 percent over the previous year, mainly driven by the record seed cotton price which benefited cotton farmers in MY10/11. Industry planting intention surveys confirm that MY11/12 planted area will increase. In March 2011, China's Ministry of Agriculture (MOA) released a survey showing MY11/12 cotton planting area is expected to increase 5.4 percent over the previous year. China's National Development and Reform Commission (NDRC) is predicting MY11/12 domestic cotton production at 6.8 MMT. In Mid March, Post's field interview with farmers indicated that cotton planting intention for MY11/12 will increase in Shandong and Hebei provinces due to nearly double returns from cotton in the previous year.

A December CCA report forecasts MY11/12 cotton planting will grow 9.8 percent nationwide to 5.64 MHa, up 14.7 percent in Xinjiang, 11.5 percent in the Yangtze River region and 4.2 percent in the Yellow River regions. A more recent CCA survey supports a 10 percent area increase for MY11/12. Jiangsu Cotton Association also forecasts 10.6 percent cotton area growth in its province in MY11/12. Some Provincial governments are encouraging cotton planting,. For example, Shandong Province, where the Agriculture Bureau has set a target cotton area of 800,000 Ha in MY11/12 and is promoting intercropping and increased use of cross-bred Bt varieties for higher yields.

China Cotton Research Institute Survey

In February 2011, China Cotton Research Institute (CRI) forecast a growth in planting intentions for MY11/12 of 4 percent to 77.6 million Mu (5.17 MHa) from the 74.5 million Mu (4.97 MHa) in the previous year. The CRI survey also indicated that all three major cotton-producing regions would see area growth with the highest in the Yellow River region at 5.9 percent, followed by the Yangtze River region at 5.8 percent and the Northwest region at 0.5 percent.

CRI Cotton Price and Planting Intention MY11/12(\$1= RMB6.6)

Regions	Farms/Households Surveyed	Seed Cotton Price (RMB/MT)			MY11/12 Area Change (%)
		MY10/11	MY09/10	Change (%)	
Nation	3,392	1,094	631	+73.4	+4.1
Yangtze River	1,302	1,073	627	+71.1	+5.8
Yellow River	1,300	1,123	645	+74.1	+5.9
Northwest	650	1,076	609	+76.7	+0.5

The table above shows a 73 percent jump in seed cotton prices from 09/10 to MY10/11 for the surveyed farmers. The table below shows year-on year changes in cotton product value, production costs and gross profits for these same farmers. The gross cotton profit per planted area (Ha) for farmers almost doubled in MY10/11 compared to the previous year. However, the survey did not explain why the planting intention in Xinjiang increased merely 0.5 percent (with Northern Xinjiang up 0.7 and Southern Xinjiang up 1.2 percent) over the previous year despite the significant growth in cotton profits received in MY10/11.

CRI Cotton Profit Changes MY08/09 to MY10/11

Year	Product Value		Production Cost		Gross Profit	
	RMB/Ha	Change%	RMB/Ha	Change%	RMB/Ha	Change%
MY08/09	17,265	-23	17,235	+14.3	28	-99.6
MY09/10	23,760	+37.6	15,579	-9.6	8,178	+543.4
MY10/11	36,498	+46.7	18639	+17.5	17,859	+97.9

National Cotton Market Monitoring Network Survey

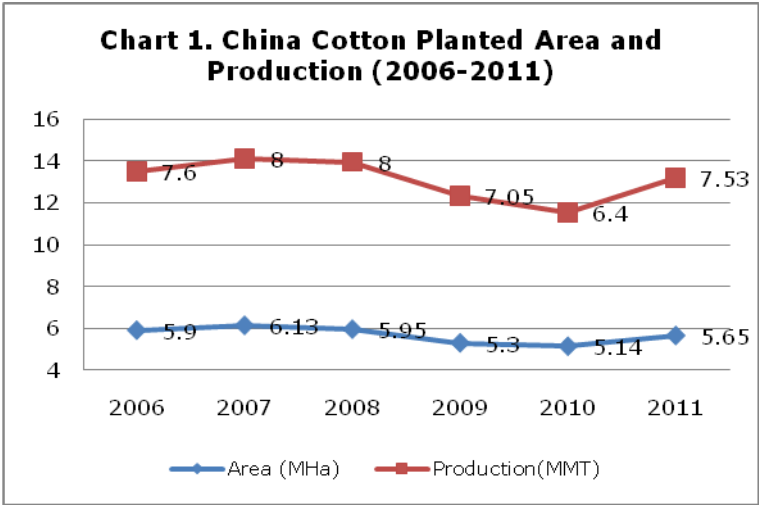
A National Cotton Market Monitoring Network (NCMMN) December survey showed cotton planting intention for MY11/12 at 5.1 MHa, up 6.8 percent over the previous year. More specifically, planting intentions in the Yellow River region, Yangtze River region and the Northwest region increased by 7.7, 6.7 and 5.8 percent, respectively.

- In the Yellow River region, total planting intentions are 2.1 MHa (32 million Mu) with Henan and Shandong Provinces up 9.8 and 7.3 percent, respectively

- In the Yangtze River region, total planting intentions are 1.48 MHa (22.1 million Mu), with the highest growth in Jiangsu (up 11.5 percent) and Hubei Provinces (up 8.3 percent)

The NCMMN report showed how the high seed cotton price has boosted planting intentions. For instance, in Xinghua, Jiangsu, the MY10/11 cotton production value was estimated at RMB3,200 per hectare, up 126 percent over the previous year, with input costs such as fertilizer and irrigation remaining stable and fueling strong profits. Inter-cropping (wheat or

vegetable or fruit trees + cotton) popular in Shandong, Henan, Jiangsu and Xinjiang regions, will further facilitate cotton area.

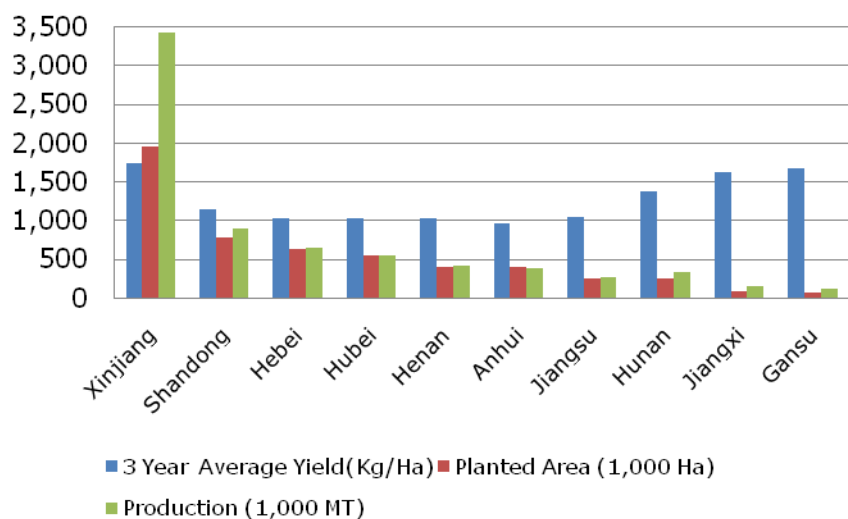


Yield

China’s cotton yield for MY11/12 is forecast to return to 1,332Kg per hectare, higher than the estimated 1,246Kg per hectare in MY10/11, which was abnormally low in major production regions due to adverse weather, including planting delays in Northern Xinjiang and low temperatures coupled with excessive moisture in the Yangtze River region. Extended rainy days and lack of sunshine during the growth and maturations periods further reduced yields in Henan and Shandong provinces. Yield improvements can be attributed to technical advancements in the Xinjiang production region, to the dissemination of biotechnology (Bt) cotton varieties in the Yangtze and Yellow River regions and to anticipated normal weather conditions in most cotton producing regions.

Chart 2 below shows the forecast MY11/12 production for major cotton-producing provinces based on three- year averages (compiled using NSB MY07/08 through MY09/10 data and Post forecast area).

Chart 2. Forecast MY11/ 12 Cotton Yield, Area and Production by Province



Bt cotton use is expected to remain constant in MY11/12, supported by a national cotton seed subsidy program. Some experts believe that Bt variety coverage reached 100 percent in Henan, Hebei, Shandong, and Anhui Provinces. Additionally, MOA plans to increase the distribution of China developed “3-line Cross-bred Bt Cotton Varieties” which reportedly increases yield by 25 percent compared to conventional varieties.

For Xinjiang, Bt cotton is less prevalent due to a reduced risk of diseases/pests in its dry climate. Conventional varieties with specific traits, such as dwarf plant size and early maturity, are expected to continue boosting yields in Xinjiang. Particular agronomic practices, such as high density sowing, plastic sheet covering, and drip irrigation technology are also in use to gain higher yields. These techniques are particularly significant for Xinjiang Production and Construction Corp (PCC) farms due to their organized farming on larger scale farms.. An increased use of mechanized harvesting equipment in MY 10/11, in an attempt to reduce growing labor costs, reportedly reduced overall cotton yield in Xinjiang. Mechanized harvesting creates more loss than hand picking.

Consumption

According to China’s 12th Five Year (2011-2015) Plan, the textile sector will remain one of China’s “pillar industries,” employing over 23 million people, and will focus on restructuring and upgrading its development. According to NSB, fixed asset investment in the textile industry in 2010 stood at \$33.8 billion, up 26.4 percent over 2009. The textile sector should see additional consolidation in 2011 as small to medium scale textile enterprises face multiple challenges, including higher priced raw materials and rising labor costs. Gains in new textile sector investments in China’s central and western regions (up by 55 percent and 52 percent, respectively over 2009), and the southeastern region which rose 14 percent, reflect textile firms search for lower labor inputs and a favorable investment climate.

China's Textile Sector Production/Investment Trends

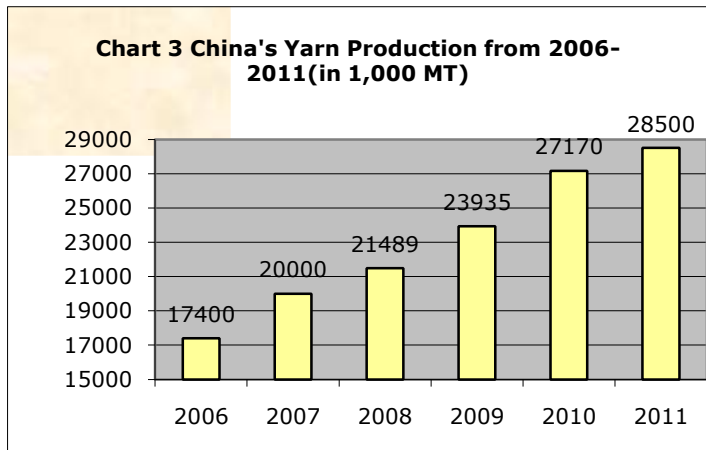
Year/Item	2008	2009	2010	Change %
Yarn Production (MMT)	21.49	23.93	27.17	13.5
Fabrics Production (Million Meters)	710	740	800	6.2
Chemical Fiber Production (MMT)	24.15	27.3	30.9	12.5
Fixed Asset Investment in Textile Sector (RMB billion)	153.4	176.8	223	26.4

Source: China Economic and Social Development Report by NSB

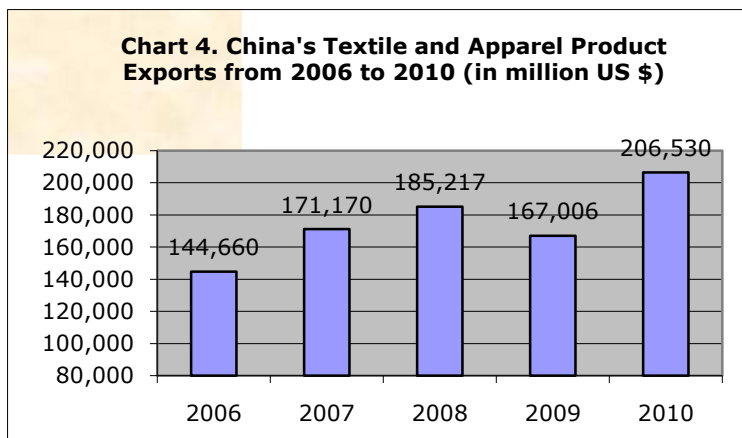
China's cotton consumption will continue to grow in MY11/12, forecast at 11 MMT, up two percent from an estimated 10.8 MMT for MY10/11 and 10.7 in MY 09/10. The continuing economic recovery of world demand, together with increasing domestic demand for cotton products, is pushing China's consumption.

China's Textile Production Capacity Rebounded

Total yarn production is forecast at 28.5 MMT in 2011, up five percent from the 27.2 MMT for 2010 (See chart 3: Source: 2006-2010 by NSB and 2011 forecast by Post). China's central, western and southeastern regions cotton yarn production increased by 13 percent, 18 percent, and 11 percent, respectively over last year. NSB statistics show total yarn production reached 3.94 MMT in the first two months of 2011, up 15 percent over the same period of 2010. It is likely this growing trend will continue in the remaining months of 2011 and beyond driven by high domestic economic growth and steady increases in overseas demand for China's textile products.



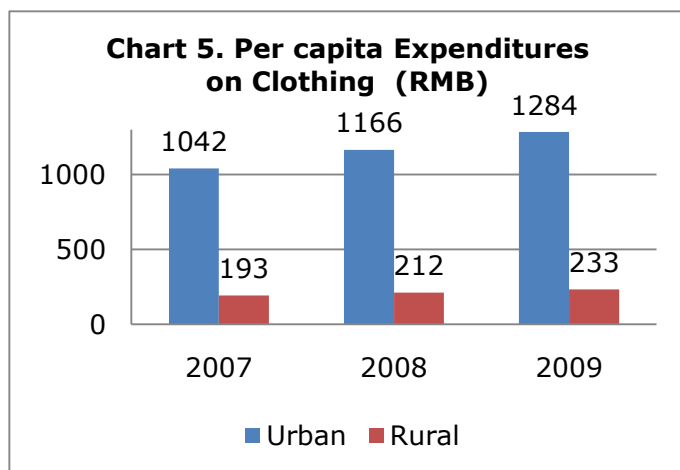
According to NSB, China's textile and apparel export value surged to \$206.5 billion in 2010, up 24 percent from the 167 billion in the previous year (See Chart 4; source: NSB). Exports remained dynamic in the first two months of 2011 with the total export valued at \$32 billion, an increase of 14 percent over the same period in 2010.



Domestic Consumption to Increase

Domestic consumption of textiles and apparel is gaining momentum. With GDP over 10.3 percent in 2010 and expected to exceed 8 percent in 2011, growing incomes and rising living standards of Chinese consumers are driving retail consumption to the benefit of cotton products. According to the China Textile Industry Association (CTIA), the domestic market accounted for more than 80 percent of the sector's total sales output in 2010. The difference in per capita clothing

expenditures between urban and rural residents continued to widen in 2009 (see Chart 5: Source: NSB and \$1=RMB6.7 in 2009). Urban residents not only increased their clothing budgets but also raised the quality of their choices. Better quality clothing will also be high on the list of purchases by China's 713 million rural residents as their incomes rise. Net population growth is expected to continue in 2011, driving more cotton and textile consumption.



Other Fiber for Spinning Increases

According to industry sources, China's polyester and viscose fiber (for spinning use) production is 8.4 MMT and 2 MMT, respectively. The net polyester fiber volume for domestic spinning increased to 8 MMT from 7.3 MMT in the previous year. (Polyester fiber trade remained small with exports exceeding imports by 450,000 MT in 2010). The high price of cotton and growth in production of other fibers at relatively low prices could impact cotton consumption, but this remains difficult to quantify.

Misreporting of Yarn Categories and Volume Continue

Converting yarn production into cotton use remains a challenge due to the lack of reliable data. According to NSB, total yarn production for 2010 was 27.2 MMT, of which 20 MMT was reported as pure cotton yarn, and the rest as blended yarn and synthetic yarn. These figures are problematic when compared to China's average cotton use, which has ranged from 10 - 11 MMT annually in recent years, and other fibers available for spinning. Chinese experts acknowledged this contradiction and believe misreporting of yarn categories and volume by mills is the basis of these data problems.

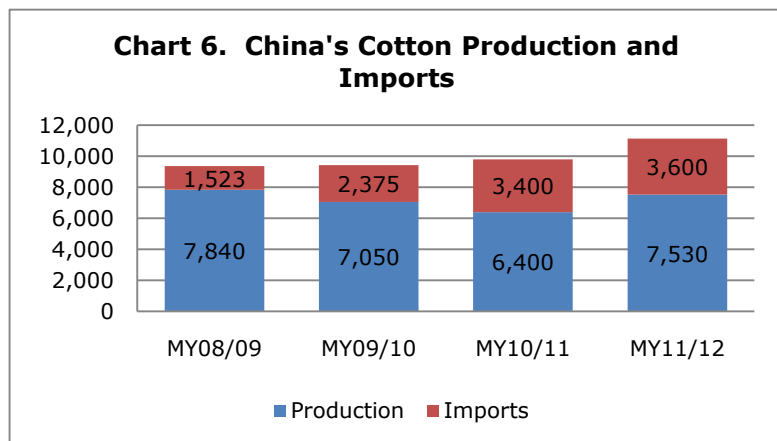
Adding to the uncertainty, mills constantly change the cotton ratio in yarn production depending on market conditions and price ratios between cotton and synthetic fibers, complicating accurate reporting. For example, a single percentage change in the cotton share can drastically alter cotton consumption by about 200,000 MT. Post believes that a number of factors have led to the current dilemma, including over-reporting of total yarn and pure cotton yarn production, the under-reporting of synthetic fiber ratio and cotton consumption, or some combination of these. According to NSB, total chemical fiber production in 2010 was 30.9 MMT, up more than 15 percent over the previous year.

Along with price ratio changes between cotton and synthetic fibers and depending on the ratio of market demand at the time of production, mills can be expected to readjust cotton shares in yarn production more often in 2011. Historically, the price of cotton fiber is approximately 20 percent higher than that of synthetic fibers. Industry experts expect that the share of synthetic fibers in yarn production may increase in 2011 due to anticipated tight global cotton supplies and resulting higher prices.

Trade

MY11/12 cotton consumption is forecast at 11 MMT, up two percent from the 10.8 MMT in MY10/11, a level domestic consumption and stocks cannot meet. To satisfy the supply gap, MY11/12 cotton imports are forecast to rise six percent to 3.6 MMT, up from estimated 3.4 MMT in MY10/11. (See chart 6-Production: Post's estimate or forecast; Imports: Global Trade Atlas). China's cotton exports average about 10,000 MT annually, insignificant compared to total cotton use. Cotton

yarn and thread trade increased in MY09/10 with total imports exceeding 1 MMT while exports remained constant, with net imports of 500,000 MT, compared to 350,000 MT in recent years.



U.S. Competes with India for China's Market

In MY09/10 India surpassed the United States to become China's largest cotton supplier. However, following Indian restrictions on cotton exports in late 2010, the United States is expected to regain its standing as China's primary supplier in MY 11/12. Nevertheless, India's cotton production is expected to continue growing as it incorporates technical advancements, further disseminates Bt cotton and actively promotes its cotton. Favorable prices and transportation/delivery advantages also contribute to India's competitiveness in China's market. The quality and reliability of U.S. cotton exports are attractive aspects to China's end-users but U.S. exports face fierce competition from India's cotton advantages as well.

Default Cases on Rise along with Record Cotton Price

Industry insiders report some overseas suppliers, due to soaring cotton prices, have defaulted on delivery of lower priced long-term contracts in China, thus interrupting production and causing financial losses for the end user. In mid March 2011, CCA began an investigation of defaults in cotton contracts.

Consignment Trade

Consignment trade declined in 2010 because of tight world supply. With bumper harvests expected from some of the major cotton producing countries, world supplies may ease somewhat and facilitate a resumption of this trade practice. Domestic cotton buyers, particularly small to medium-size mills choose consignment purchases due to their advantages, such as short delivery time, flexibility, convenient quality verification and as a way to alleviate financial difficulties.

High-grade Cotton Supply Appears Tight

The MY10/11 high-grade cotton supply is expected to be very tight following a significant fall in production. According to the China Fiber Inspection Bureau, the MY10/11 domestic production of grade 3 or higher cotton accounted for 30.1 percent of total production, compared to 66 percent in the previous year. Grade 3 or higher cotton fell to 47 percent in Xinjiang (from 74 percent in the previous year), while other regions production fell to 6 percent (from the 41 percent in the previous year). China's industry insiders expect a tight supply of high-grade cotton July through September 2011.

Stocks

China has not established an official cotton market information system. The lack of transparent and reliable data (production, consumption, and stocks) has been more pronounced in recent years due to the rapid expansion and diversified scales of production. The numerous players continue to diversify ownership in the industry chain, including the large number of cotton farmers, gins, merchants and mills. All these entities contribute to making the collection of reliable production statistics in China an extremely difficult task.

Some China industry sources report that state cotton stocks were drawn down to historically low levels after the GOC released 1 MMT of cotton reserve in 2010. The forecast for ending stocks for MY11/12 is 2.7 MMT with the stock-to-use

ratio of 26 percent. The forecast recovery of “consignment trade” may justify a relatively low stock-to-use ratio in MY11/12.

Marketing

Transporting Cotton from Xinjiang Province

Effective in MY08/09, the GOC began providing a transportation subsidy of \$59 (RMB 400/MT) for shipping Xinjiang origin cotton to mills in coastal and southern cities. Xinjiang province provides 40 percent of China’s domestic cotton production yet there is only one rail line to move the raw product cross-country to the textile producing areas. Harvest time can be a bottleneck. Transportation improved slightly in MY10/11 when the GOC added 100 railcars per day (normal is 200 per day) to expedite cotton movement when cotton prices rose significantly in late 2010.

Other Marketing Related Issues

The GOC has approved several international traders to engage in marketing China’s domestic cotton. These traders are taking a cautious approach to entering the domestic cotton market because of its size and complexity.

U.S. cotton exporters interested in exporting cotton to China in need of marketing assistance may contact USDA/FAS’s Agricultural Trade Offices (ATO) in Beijing, Chengdu, Guangzhou, Shanghai and Shenyang. They can be contacted via email at, ATOBeijing@usda.gov, ATOCchengdu@usda.gov, ATOGuangzhou@usda.gov, ATOShanghai@usda.gov, and ATOShenyang@USDA.gov, respectively. Cotton Council International (CCI) is also actively involved in promoting U.S. cotton in China and throughout Asia. CCI serves China regionally from its Hong Kong Office. CCI can be reached via email at cci-hongkong@cotton.org. Both CCI and the ATO’s organize events designed to bring U.S. cotton exporters in close contact with Chinese buyers.

The China International Cotton Conference, a biannual event sponsored by CCA, MOA, and FAO, attracts a worldwide audience from the cotton/textile industry. The 2011 conference will be held in Dalian, Liaoning Province. CCA, in collaboration with China National Cotton Exchange also holds an annual event, the China Cotton Industry Development Forum, which focuses on analysis and outlook of the market situation.

Policy

Registration System for Overseas Cotton Suppliers

In 2008, China’s General Administration for Quality Supervision, Inspection and Quarantine instituted a new registration system for overseas cotton suppliers (see GAIN CH8075 and CH9035). USDA continues to work with AQSIQ on industry concerns related to the registration system. In mid-April, an AQSIQ team visited the Agricultural Marketing Service’s central cotton lab in Memphis, Tennessee to learn about the USDA cotton classification system. The visit enhanced mutual understanding and laid a solid foundation for both sides to carry out additional cooperation on cotton import inspections. As of this report, there have been no reports of trade disruptions due to the registration and Quality Credit Assessment Measures.

Cotton Classification Reform Faces Challenge

China’s cotton classification reform is expected to continue in MY11/12. According to China Fiber Inspection Bureau (CFIB) (<http://www.ccqsc.gov.cn/cotton/report?act=x&rls=0&type=6&infoType=1&ID=61>), a total of 1,514 gins participated in cotton HVI classification, up from the 1,450 in the previous year. As of March 21, 2011, total cotton baled and classed on the new classification system reached 2.51 MMT, accounting for 42 percent of the total production in MY10/11 (based on NSB data at 5.97 MMT), up from 39 percent in the previous year.

The goal of having domestically produced cotton fully covered by the new classification system remained unfulfilled in MY10/11, and industry insiders reported that the GOC has rescheduled the plan for another five years. Some mills are reluctant to purchase the necessary equipment to enable them to accept the larger bales. As a result, these mills are likely to continue to purchase “small bales” of cotton from gins without “official classification.” They will likely use the excuse that manual handling is more convenient, particularly when supply is tight. This situation represents a drawback, however, because the new classing system is expected to help facilitate domestic cotton production estimates and upgrade the quality levels of China’s ginning sector.

1.7 MMT Additional Cotton Import TRQ Distributed Early

The TRQ regime will remain in place in the foreseeable future as the GOC argues that it is necessary to regulate the market and protect the interests of both farmers and the domestic textile industry. As usual, China distributed 894,000 MT of cotton TRQ for 2011 (subject to one percent import tariff) at the end of 2010. Simultaneously, in response to requests by the textile industry and to curb rising cotton prices, the GOC distributed an additional 1.7 MMT of TRQ subject to a variable tariff rate. The GOC added an additional 2.67 MMT TRQ (subject to variable tariff) in 2010 in response to tight supplier and historically high cotton prices. Distribution and allocation of the TRQ remains non-transparent (See table 12).

One MMT of State Cotton Reserve Released in 2010

The GOC believes the state reserve policy, together with cotton import TRQ regime, maintains “the domestic cotton supply/demand balance.” The GOC maintains an unpublished volume of state cotton reserves which it uses to regulate the domestic cotton market. In an effort to support the domestic cotton price/farmer’s income and facilitate the marketing of domestic cotton, the GOC purchased 2.87 MMT of MY08/09 domestic crop (GAIN CH9035), but has not purchased domestic cotton to boost reserves in the past two years mainly due to reduced domestic production at a price considered to be above the floor level.

In August and October 2010, the GOC released a total of 1 MMT of state cotton reserves to ease industry constraints of tight supplies and rising prices. The GOC’s current stocks reserve is estimated to be very low after an earlier release of 2.6 MMT in 2009. The state cotton reserve management policy is expected to continue in the foreseeable future.

Seed Subsidy Continues to Cover Total Planted Area for 2011

The governmental seed subsidy program (which covers all cotton planted area from 2010 and is aimed at stabilizing planted area) will continue in 2011. It is provided to large seed producers/traders for selected “high quality varieties” through an open bidding process. The intention is that cotton quality will be more uniform because selected “high quality varieties” (seeds eligible to be subsidized) are likely to increase in area coverage. Given the increasing cotton supply gap and the importance placed on maintaining a stable planting area, this policy is likely to remain in place in the foreseeable future.

The current subsidy rate remains unchanged at approximately \$34 per hectare (RMB 15 per Mu; GAIN CH9035). While the amount of the seed subsidy is not published officially, total appropriations in 2011 are expected to exceed \$160 million (if based on the NSB’s 4.85 MHa planted area for MY10/11).

Targeted Loans

In MY10/11, the Agriculture Development Bank of China (ADBC) continued to provide targeted loans with favorable terms for the purchase of seed cotton. ADBC provided loans for the purchase of 2 MMT of cotton, thereby facilitating the marketing of seed cotton when prices surged in MY10/11. ADBC will continue to provide financial assistance for domestic cotton marketing in MY11/12.

Textile Industry Faces New Challenges

In 2011, the textile sector will focus on restructuring and upgrading its development based on China’s 12th Five Year (2011-2015) Plan. The increase in labor and raw material (cotton) costs and likely appreciation of China’s currency are forcing the industry to improve efficiency and productivity to maintain profit margins. The GOC reported that the average monthly wage for the country’s migrant workers rose 13 per cent in 2010 from the previous year, and this wage growth trend continued in 2011 as many coastal factories faced a serious shortage of workers in the first quarter. China’s industry leaders, however, have confidence their industry will continue its steady growth in 2011.

Tables

Production, Supply and Demand (PSD)

Table 1. PSD (in 1,000 Bales and 1,000 Ha)

Cotton China	2009/2010		2010/2011		2011/2012	
	Market Year		Market Year		Market Year	
	Begin: Aug 2009		Begin: Aug 2010		Begin: Aug 2011	
	USDA	New	USDA	New	USDA	New

	Official	Post	Official	Post	Official	Post
Area Planted	5,300	5,300	5,100	5,140		5,650
Area Harvested	5,300	5,300	5,100	5,140		5,650
Beginning Stocks	22,368	22,368	15,244	16,484		11,845
Production	31,999	32,381	29,501	29,395		34,585
Imports	10,899	10,904	15,501	15,616		16,535
MY Imports from U.S.	0	3,399	0	4,134		4,593
Total Supply	65,271	65,652	60,246	61,496		62,965
Exports	23	23	51	46		46
Use	49,908	49,145	47,000	49,604		50,523
Loss	0	0	0	0		0
Total Dom. Cons.	49,908	49,145	47,000	49,604		50,523
Ending Stocks	15,244	16,484	13,196	11,845		12,397
Total Distribution	65,271	65,652	60,246	61,496		62,965
Stock to Use %	30	34	28	24		25
Yield		6,110		5,719		6,121
TS=TD	0	0	0	0		0

Table 2. PSD (in 1,000 Metric Tons and 1,000 Ha)

Cotton China	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Aug 2009		Market Year Begin: Aug 2010		Market Year Begin: Aug 2011	
	USDA Officia l	New Post	USDA Officia l	New Post	USDA Officia l	New Post
Area Planted	5,300	5,300	5,100	5,140		5,650
Area Harvested	5,300	5,300	5,100	5,140		5,650
Beginning Stocks	4,870	4,870	3,319	3,589		2,579
Production	6,967	7,050	6,423	6,400		7,530
Imports	2,373	2,374	3,375	3,400		3,600
MY Imports from U.S.	0	740	0	900		1,000
Total Supply	14,211	14,294	13,117	13,389		13,709
Exports	5	5	11	10		10
Use	10,866	10,700	10,233	10,800		11,000
Loss	0	0	0	0		0
Total Dom. Cons.	10,866	10,700	10,233	10,800		11,000
Ending Stocks	3,319	3,589	2,873	2,579		2,699
Total Distribution	14,211	14,294	13,117	13,389		13,709
Stock to Use %	30	34	28	24		25
Yield	1,315	1,330	1,259	1,245		1,333
TS=TD	0	0	0	0		0

Trade Tables

Table 3. China's Monthly Cotton Imports

Unit: Metric Tons						
Month	2006	2007	2008	2009	2010	2011
January	301,372	123,092	157,712	77,993	301,359	391,590
February	321,280	125,235	158,168	93,083	221,046	184,000
March	495,049	259,846	213,221	98,763	323,807	
April	490,704	215,093	263,417	145,560	323,819	
May	463,809	201,205	240,159	151,524	197,955	
June	380,674	252,460	211,043	168,619	177,248	
July	290,358	228,945	212,580	131,440	168,882	
August	285,958	258,667	186,875	109,711	240,172	
September	134,364	234,451	129,057	102,162	200,806	
October	84,985	137,031	96,155	118,604	96,136	
November	154,592	101,846	76,141	112,866	126,203	
December	240,338	322,575	168,433	216,776	461,657	
TOTAL	3,643,482	2,460,445	2,112,961	1,527,101	2,841,100	
Marketing Year	Aug/06-Jul/07	Aug/07-Jul/08	Aug/08-Jul/09	Aug/09-Jul/10	Aug/10-Jul/11	
TOTAL	2,306,112	2,510,869	1,523,643	2,374,346		

Unit: 480-lb Bales						
Month	2006	2007	2008	2009	2010	2011
January	1,384,200	565,359	724,373	358,222	1,384,142	1,798,573
February	1,475,641	575,205	726,468	427,529	1,015,264	
March	2,273,762	1,193,474	979,323	453,619	1,487,246	
April	2,253,801	987,920	1,209,874	668,557	1,487,301	
May	2,130,276	924,135	1,103,049	695,952	909,207	
June	1,748,434	1,159,550	969,321	774,466	814,100	
July	1,333,612	1,051,545	976,378	603,702	775,675	
August	1,313,403	1,188,058	858,318	503,901	1,103,110	
September	617,133	1,076,833	592,759	469,232	922,302	
October	390,338	629,382	441,641	544,749	441,553	
November	710,040	467,777	349,715	518,392	579,650	
December	1,103,872	1,481,585	773,613	995,653	2,120,391	
TOTAL	16,734,513	11,300,825	9,704,831	7,013,974	13,041,950	
Marketing Year	Aug/06-Jul/07	Aug/07-Jul/08	Aug/08-Jul/09	Aug/09-Jul/10	Aug/10-Jul/11	
TOTAL	10,591,973	11,300,825	6,998,092	10,905,371		

Source: Global Trade Atlas

Table 4. China's Quarterly Cotton Imports by Country of Origin

Unit: Metric Tons

Marketing Year: 2008/2009					
Country	Jul-Sep /08	Oct-Dec /08	Jan-Mar/09	Apr-Jun/09	TOTAL
United States	342,427	238,339	160,056	255,213	996,035
India	29,849	37,151	27,261	51,330	145,591
Uzbekistan	58,427	1,794	50,763	50,648	161,631
Australia	29,701	21,049	5,509	27,945	84,204
Brazil	2,579	14,149	13,051	17,276	47,055
Benin	15,976	664	400	16,651	33,691
Burkina Faso	8,595	464	594	18,120	27,774
Cameroon	9,106	800	1,275	7,690	18,870
Mali	5,862	118	760	5,172	11,912
Mexico	6,547	8,743	3,755	6,265	25,310
Other	19,444	17,459	6,415	9,393	52,711
TOTAL	528,512	340,729	269,839	465,703	1,604,783
Marketing Year: 2009/2010					
Country	Jul-Sep /09	Oct-Dec /09	Jan-Mar/10	Apr-Jun/10	TOTAL
India	53,627	183,167	397,165	172,760	806,719
United States	130,250	86,299	224,010	301,423	741,982
Uzbekistan	27,844	11,109	101,274	109,906	250,133
Australia	37,479	31,568	21,841	29,950	120,838
Burkina Faso	27,320	39,029	14,121	20,488	100,958
Cameroon	10,125	10,913	14,060	5,693	40,791
Brazil	5,329	17,308	12,558	4,977	40,172
Pakistan	1,437	12,290	7,691	1,448	22,866
Cote d Ivoire	7,243	4,397	2,184	8,310	22,134
Mali	4,395	6,697	1,840	9,762	22,694
Benin	22,038	12,250	1,046	19,621	54,955
Other	16,226	33,219	48,421	14,684	112,550
TOTAL	343,313	448,246	846,211	699,022	2,336,792
Marketing Year: 2010/2011					
Country	Jul-Sep /10	Oct-Dec /10	Jan-Mar/11	Apr-Jun/11	TOTAL
India	42,126	255,970			298,096
United States	293,588	189,588			483,176
Uzbekistan	30,832	102,814			133,646
Australia	143,968	9,135			153,103
Burkina Faso	28,562	3,694			32,256
Cameroon	10,047	5,749			15,796
Brazil	16,280	54,433			70,713
Mexico	233	15,071			15,304
Egypt	6,313	4,742			11,055
Mali	8,615	3,232			11,847
Other	29,295	39,568			68,863
TOTAL	609,859	683,996			1,293,855

Source: Global Trade Atlas

Table 5. China's Monthly Cotton Exports

Unit: Metric Tons					
Month	2007	2008	2009	2010	2011
January	2,404	221	581	86	3641
February	362	393	606	0	
March	2,149	811	2,969	578	
April	2,634	962	193	1136	
May	932	854	887	1474	
June	2,656	655	348	461	
July	1,038	866	1,401	86	
August	880	2,043	830	1052	
September	835	3,503	114	1240	
October	2,709	2,451	97	255	
November	2,887	1,916	8	55	
December	1,608	1,687	215	31	
TOTAL	21,094	16,361	8,249	8,464	
Marketing Year	Aug/07-Jul/08	Aug/08-Jul/09	Aug/09-Jul/10		
TOTAL	13,681	18,584	5,084		
Unit: 480-lb Bales					
Month	2007	2008	2009	2010	2011
January	11,044	1,014	2,670	395	3641
February	1,663	1,805	2,785	0	
March	9,871	3,726	13,635	2,655	
April	12,100	4,421	888	5,218	
May	4,278	3,921	4,073	6,770	
June	12,197	3,007	1,597	2,117	
July	4,767	3,979	6,437	395	
August	4,040	9,381	3,812	4,832	
September	3,837	16,088	522	5,695	
October	12,444	11,256	446	1,171	
November	13,260	8,800	35	253	
December	7,385	7,747	988	142	
TOTAL	96,886	75,145	37,887	38,875	
Marketing Year	Aug/07-Jul/08	Aug/08-Jul/09	Aug/09-Jul/10		
TOTAL	62,839	85,356	23,353		

Source: Global Trade Atlas

Table 6. China's Monthly Cotton Yarn and Thread Imports

Unit: Metric Tons					
Month	2007	2008	2009	2010	2011
January	75,289	59,448	38,702	102,478	90,812
February	46,631	42,289	61,569	58,667	
March	88,089	73,161	78,186	103,588	
April	86,136	73,963	81,291	93,393	
May	83,350	69,424	78,993	85,614	

June	80,296	63,709	84,389	74,473	
July	74,507	70,838	88,031	75,036	
August	79,033	57,922	81,865	80,202	
September	64,743	59,406	88,651	82,571	
October	55,459	58,069	77,214	75,846	
November	56,936	46,705	90,793	94,145	
December	60,448	50,603	105,186	102,953	
TOTAL	850,919	725,539	954,871	1,030,976	
Marketing Year	Aug/07-Jul/08	Aug/08-Jul/09	Aug/09-Jul/10	Aug/10-Jul/11	
TOTAL	850,919	783,866	1,036,959		

Source: Global Trade Atlas

Table 7. China's Monthly Cotton Yarn and Thread Exports

Unit: Metric Tons

Month	2007	2008	2009	2010	2011
January	39,434	37,114	25,208	39,795	30,243
February	27,261	28,436	26,468	24,800	
March	43,847	55,410	39,808	48,377	
April	48,235	54,685	45,606	44,305	
May	49,864	50,120	42,557	49,254	
June	47,980	46,381	47,772	48,430	
July	47,382	45,580	43,592	39,325	
August	50,663	39,480	37,850	29,464	
September	45,760	36,414	41,776	24,584	
October	39,810	33,036	36,413	28,400	
November	39,890	28,855	44,509	35,875	
December	38,956	26,744	45,598	28,083	
TOTAL	519,081	482,255	477,157	442,702	
Marketing Year	Aug/07-Jul/08	Aug/08-Jul/09	Aug/09-Jul/10		
TOTAL	519,081	435,540	500,431		

Source: Global Trade Atlas

Table 8. China's Monthly Cotton Fabric Imports

Unit: 1,000 Square Meters

Month	2007	2008	2009	2010	2011
January	101,379	82,988	45,848	47,637	47,059
February	67,268	56,821	55,264	34,968	
March	107,980	81,949	68,193	61,634	
April	118,344	94,619	75,033	67,449	
May	104,325	84,718	66,003	61,830	
June	97,849	73,092	63,213	56,340	
July	91,328	76,626	65,614	63,384	
August	96,122	72,614	61,830	63,203	

September	94,349	82,838	70,214	68,941	
October	93,816	84,724	69,609	61,072	
November	111,609	81,936	69,042	65,074	
December	109,458	76,055	85,019	65,676	
TOTAL	1,193,828	948,983	794,882	719,218	
Marketing Year	Aug/07-Jul/08	Aug/08-Jul/09	Aug/09-Jul/10	Aug/10-Jul/11	
TOTAL	1,056,169	837,335	748,957		

Source: Global Trade Atlas

Table 9. China's Monthly Cotton Fabric Exports

Unit: 1,000 Square Meters						
Month	2006	2007	2008	2009	2010	2011
January	436,041	425,476	507,658	405,793	548,804	607,713
February	273,382	411,280	370,832	232,178	407,887	
March	468,117	392,312	489,945	472,667	464,281	
April	448,958	496,096	533,580	468,673	593,772	
May	434,668	439,481	472,541	438,233	586,272	
June	444,517	424,101	487,795	437,932	599,377	
July	428,935	439,774	486,933	455,192	600,973	
August	485,664	474,342	514,674	468,003	566,068	
September	485,395	507,569	523,854	563,082	627,066	
October	471,032	490,385	506,479	510,625	598,422	
November	513,640	546,508	447,964	578,917	656,363	
December	522,728	513,499	419,117	669,986	594,502	
TOTAL	5,413,079	5,560,822	5,761,372	5,701,281	6,845,796	
Marketing Year	Aug/06-Jul/07	Aug/07-Jul/08	Aug/08-Jul/09	Aug/09-Jul/10	Aug/10-Jul/11	
TOTAL	5,506,981	5,560,822	5,322,756	6,591,978		

Source: Global Trade Atlas

Other Tables

Table 10. Cotton Planted Area and Production by Province

Planted Area (1,000 hectares)					
Year	2007	2008	2009	2010	2011*
Post - Total	6,126	5,950	5,300	5,550	5,654
NSB - Total	5,926	5,754	4,952	4,850	NA
Xinjiang	1,783	1,719	1,409	NA	1,960
Shandong	900	888	800	766	780
Hebei	680	690	620	582	636
Hubei	514	543	460	480	550
Henan	700	606	537	467	400
Anhui	376	390	352	344	400
Jiangsu	327	300	252	236	256
Hunan	172	183	153	189	250
Jiangxi	82	67	76	NA	95

Gansu	79	73	56	NA	77
Shanxi	104	89	73	NA	70
Tianjin	67	69	56	NA	60
Shannxi	89	85	62	NA	55
Other	53	52	46	NA	65
Production (1,000 MT)					
Year	2007	2008	2009	2010	2011*
Post - Total	8,030	7,990	7,050	6,400	7,529
NSB - Total	7,624	7,492	6,377	5,970	NA
Xinjiang	3,012	3,026	2,524	2,479	3,420
Shandong	1,000	1,041	921	724	895
Hebei	725	737	605	570	660
Hubei	557	513	480	472	560
Henan	750	651	517	447	415
Anhui	374	363	346	316	392
Jiangsu	347	326	255	261	269
Hunan	244	247	212	NA	346
Jiangxi	128	112	125	NA	150
Gansu	129	107	95	NA	129
Shanxi	115	123	84	NA	80
Tianjin	93	83	71	NA	77
Shannxi	90	101	86	NA	66
Other	60	62	56	NA	70
NSB-Average Yield(Kg/Ha)	1,286	1,302	1,288	1,231	1,332

Source: Data from 2007 to 2010 is based on NSB; 2011 data is forecast by Post.

Table 11. Cotton Tariffs as of January 1, 2011 (continued)

Description	HS Code	M.F.N.(%)	Gen(%)	VAT	ED	Unit
Cotton, not carded or combed	5201-0000		125	13		Kg
Cotton, not carded or combed, including degreased cotton -in qouta	5201-0000.01	1	125	13	13	
Cotton, not carded or combed, including degreased cotton - tariff and out of qouta, interim	5201-0000.80	0	0	13	13	
Cotton, not carded or combed, including degreased cotton -out of quota	5201-0000.90	40	125	13	13	
Cotton waste, yarn waste	5202-1000	10	30	17	13	Kg
Cotton waste, garnetted stock	5202-9100	10	30	17	13	Kg
Cotton waste, other	5202-9900	10	30	17	13	Kg
Cotton, carded or combed	5203-0000		125	17	13	Kg
Cotton, carded or combed, in quota	5203-0000.01	1	125	17	13	
Cotton, carded or combed, out of quota	5203-0000.90	40	125	17	13	

Cotton sewing thread, containing 85% or more by weight of cotton	5204-1100	5	40	17	16	Kg
Other	5204-1900	5	40	17	16	Kg
Put up for retail sale	5204-2000	5	50	17	16	Kg
Cotton yarn (other than sewing thread), containing 85% or more by weight of cotton, not for retail sale	5205-1100 to 5205-4800	5	40	17	16	Kg
Cotton yarn (other than sewing thread) containing less than 85% by weight of cotton, not put for retail sale	5206-1100 to 5206-4500	5	40	17	16	Kg
Cotton yarn (other than sewing thread) put up for retail sale-containing 85% or more by weight of cotton	5207-1000	6	50	17	16	Kg
Cotton yarn (other than sewing thread) put up for retail sale-Other	5207-9000	6	50	17	16	Kg
Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing not more than 200 g/square meter	5208-1100 to 5208-5990*	10	70	17	16	M/Kg
	*Except:					
"	5208-2300	12	70	17	16	M/Kg

Note: VAT--Value Added Tax; ED--Export Drawback Rate;

Source: PRC Customs Import & Export Tariff, 2011

Table 11. Cotton Tariffs as of January 1, 2011 (continued)

Description	HS Code	M.F.N.(%)	Gen(%)	VAT	ED	Unit
Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing more than 200 g/square meter " " "	5209-1100	10	70	17	16	M/Kg
	5209-1200	10	70	17	16	M/Kg
	5209-1900	10	70	17	16	M/Kg
	5209-2100	12	70	17	16	M/Kg
	5209-2200	12	70	17	16	M/Kg
	5209-2900	12	70	17	16	M/Kg
	5209-3100	10	70	17	16	M/Kg
	5209-3200	10	70	17	16	M/Kg
	5209-3900	10	70	17	16	M/Kg

	5209-4100	10	70	17	16	M/Kg
	5209-4200	10	70	17	16	M/Kg
	5209-4300	10	70	17	16	M/Kg
	5209-4900	10	70	17	16	M/Kg
	5209-5100	10	70	17	16	M/Kg
	5209-5200	10	70	17	16	M/Kg
	5209-5900	10	70	17	16	M/Kg

Note: VAT--Value Added Tax; ED--Export Drawback Rate;
Source: PRC Customs Import & Export Tariff, 2011

Table 12. Tariff Rate Quota

Description	HS Code	Initial Quota and Tariff Rate	Final Quota and Tariff Rate	Implementation of Final Quota
Cotton		780,750 MT	894,000 MT	2004
	5201 - 0000	1%	1%	
	5203 - 0000	1%	1%	
Other terms and conditions:				
1) STE share = 33% (See Note)				
2) Staging of TRQ for cotton:				
Year TRQ quantity:				
2002 - 818,500 MT				
2003 - 856,250 MT				
2004 - 894,000 MT				
2005 - 894,000 MT (China added 1.4 MMT TRQ in 2005)				
2006 - 894,000 MT (China added 2.7 MMT TRQ in 2006, subject to variable import duty)				
2007 - 894,000 MT (China added 2.6 MMT TRQ in 2007, subject to variable import duty)				
2008 - 894,000 MT (China added 2.6 MMT TRQ in 2008, subject to variable import duty)				
2009 - 894,000 MT (China added 400,000 MT TRQ only for processing trade, due to weak demands for cotton)				
2010 - 894,000 MT (China added 2.67 MMT TRQ subject to variable import duty)				
2011 - 894,000 MT (and as of this report added 1.7 MMT of TRQ subject to variable import duty; China's WTO commitment does NOT mandate a TRQ for CY05 and after, but China maintained an identical quantity of TRQ as CY04. In addition to those volumes, based on market demand, China adds TRQs yearly. The added TRQs are subject to a variable import duty)				

